



City of San Diego

CARL DEMAIO
CITY COUNCILMEMBER –DISTRICT 5

DONNA FRYE
CITY COUNCILMEMBER –DISTRICT 6

MEMORANDUM

DATE: January 6, 2010

TO: Council President Ben Hueso

FROM: Councilmember Donna Frye *Donna Frye*
Councilmember Carl DeMaio *Carl DeMaio*

RE: Rules Committee Docket Request: Required Actuarial Studies on DROP and Retiree Health

We respectfully request that the issue of “Completing Required Actuarial Studies on the DROP Program and Retiree Health Care” be docketed at an upcoming Rules Committee meeting.

As the city’s troubles with previous pension and retiree healthcare decisions demonstrate, city leaders and the general public need hard data on the long-term cost implications of different benefit levels before decisions are made – and in the case of DROP to ensure that benefits are being administered in a manner consistent with the Municipal Code.

Three years ago, the city entered into a binding labor contract where it committed to conduct an actuarial study to evaluate the “cost neutrality” of the DROP program. This year, the city entered into three additional contracts committing to forming a study group to explore retiree healthcare reform, and specifically committing to, among other things, “conducting the appropriate actuarial analyses needed by the study group.” Under those contracts, the city should complete its study (and presumably complete the actuarial analysis) no later than February 1, 2010.

Given the importance of both of these issues, and given that the timeframe for making decisions on these issues is pressing, we are requesting that a status report from the Mayor’s office on the actuarial studies be docketed at Rules Committee. If enough

progress has not been made to fulfill the February 2010 deadline, the City Council should consider instructing the Independent Budget Analyst to carry-out the studies using the appropriated funding.

As such, we respectfully request that this issue be docketed to allow for the following consideration:

Action Item: "Completing Required Actuarial Studies on the DROP Program and Retiree Health Care"

- A) Receive an informational report from the Mayor's Office on the status of completing the two actuarial studies – complete with due dates and milestones**
- B) Refer to City Council an action to Direct the Independent Budget Analyst to carry-out the actuarial studies using the city's outside actuaries (or suitable alternatives)**

Should the Mayor's office demonstrate the studies are on track to be completed in the approved timeframe, we would not recommend transferring this responsibility to the IBA. We suggest this option be made available to the City Council should they desire to transfer the responsibility after hearing the status report.

CC: Honorable Mayor and City Councilmembers
City Attorney